

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

Canada's cattle and hog herds are forecast to stabilize in 2011. Rebuilding may emerge in 2012 based on higher animal prices and a strong demand due to current tight markets. Cattle and hog inventories are forecast to be down 5.6 percent and 4 percent respectively from 2010 levels. Beef and veal production is forecast at 1.275 MMT, down 0.8 percent from 2010, and pork production is forecast at 1.725 MMT, down 1.4 percent from 2010. Tight supplies and a strong demand on the U.S. and international markets are expected to outweigh a strong Canadian dollar, creating improved export opportunities in 2011 for both live animals and meat. Beef and veal exports are projected to increase by 1 percent in 2011 to 530 TMT, while pork exports are projected to increase by 0.9 percent to 1.175 MMT. Meat demand in Canada is to be covered through increased imports.

Executive Summary:

- With tight supplies and higher prices spurring limited optimism among Canadian cattle producers, the decline in cattle inventories is forecast to stabilize in 2011 with 12.29 million head projected at the beginning of the year and 11.48 at the end of the year. Rebuilding may emerge in 2012. This compares to 14.01 million head on July 1, 2010.
- Total slaughter is forecast at 3.79 million head in 2011, compared to 3.82 million head in 2010 and 3.7 million head in 2009. Paralleling the evolution of slaughter statistics, beef and veal production is forecast to decline in 2011 by 0.8 percent to 1.275 million metric tons (MMT) compared to 1.285 MMT in 2010.
- After a significant decline in 2009, cattle exports have stabilized in 2010 and even show signs of recovery. Total 2010 cattle exports are estimated at 1.1 million head, which is 3.1 percent higher than 2009. Reduced inventories in United States are forecast to push 2011 up by 4.5 percent compared to 2010, to a total of 1.15 million head.
- With production expected to decline in 2011 and a strong Canadian dollar, beef and veal imports are forecast to increase to 245 thousand metric tons (TMT), up 4.3 percent compared to 2010. Beef and veal imports declined 11.2 percent during the first six months of 2010 compared to the year earlier with the total 2010 estimated at 235 TMT.
- Despite lower production forecast, beef exports are forecast to increase in 2011 by 1 percent in 2011 compared to 2010, to 530 TMT led by increases to Asia. Exports were up 18.3 percent for the first half of 2010 with total 2010 exports estimated at 525 TMT.
- Hog production for 2011 is forecast at 27.4 million head, down 2.1 percent compared to the estimated 28 million head in 2010 which was down 4.4 percent compared to 2009.
- Slaughter is forecast at 20.8 million hogs in 2011, down 2.1 percent from 2010. A lower pig crop in 2010 has resulted in lower slaughter numbers. Continued lower hog exports translated into more domestic slaughter, estimated at 21.25 million head in 2010. Mirroring reduced slaughter in Canada, pork production is forecast at 1.725 MMT for 2011, or a further decline of 1.4 percent from the 1.75 MMT estimated for 2010.
- An increase in 2011 Canadian hog exports by 2.6 percent compared to 2010 is forecast, up to 5.95 million head due to low U.S inventories and strong demand. The decline in hog exports that began in 2009 continued into 2010 with 5.8 million head estimated for 2010.
- Reduced meat production and increased demand for exports is expected to result in further increases in 2011 imports to a forecast 230 TMT, up from 200 TMT estimated for 2010. Pork exports are forecast to increase in 2011 by 0.9 percent, to 1.175 MMT compared to the 1.165 MMT estimated for 2010.

Outlook

In 2010 the Canadian economy has been showing a growth rate among the best in the developed world, largely fueled by government spending. However, as the fiscal stimulus is drying up, and with a domestic consumption that is slowly picking up, the Bank of Canada is forecasting lower growth for 2011, paralleling a trend that is expected in most countries for the next year.

Overall, Canadian analysts are forecasting that global consumption is slowly picking up, and will continue to do so in 2011. Consumers are forecast to maintain and even increase their demand for meat, and probably more so in the higher end Asian markets than in the North American ones. This trend will positively affect Canadian exports of both beef and pork. Production of red meat in Canada, however, is likely to decline in 2011, given the continued decrease in breeding inventories and the required response time of the livestock sector to market signals. Opportunities for poultry production may be stronger in 2011, as the sector is quicker in adjusting to market conditions.

In 2011, as the Canadian economic activity continues to grow, inflation is expected to rise as well which will likely prompt the Bank of Canada to further increase interest rates. In the United States, if interest rates remain at current levels, or increase less than in Canada, pressure will be on the Canadian dollar to appreciate. Coupled with stable or increasing prices for natural resources, and with an expected good economic performance in 2011, the Canadian dollar, which has already been strong in 2010, is likely to become even stronger in 2011 and possibly reach parity with the U.S. dollar for an extended period of time. A strong Canadian dollar will negatively impact Canadian exports in general and exports of cattle and hogs in particular. The impact of the exchange rate on exports of beef and pork is less significant than in the case of live animals.

At this time, grain prices are expected to remain relatively high for 2011, and so are feed prices. Canadian cattle and hog producers cannot count on cheap feed to start rebuilding their herds, and production costs are expected to remain high, leaving operations with very tight profit margins, although somewhat improved from the last couple of years.

After a number of years of continued decline in both cattle and hog inventories, animal production remains at low levels. This, in turn, translates into a lower meat production and as demand picks up, the market will remain tight going into 2011. Both live animals and meat prices are expected to remain strong in 2011 and to increase above 2010 levels. Taking advantage of these improving conditions, producers may finally decide to stop the decline of the animal sector, and start rebuilding herds. As such, 2011 is poised to represent the year when the downtrend bottoms out and the livestock sector starts growing beginning with 2012.

Commodities:

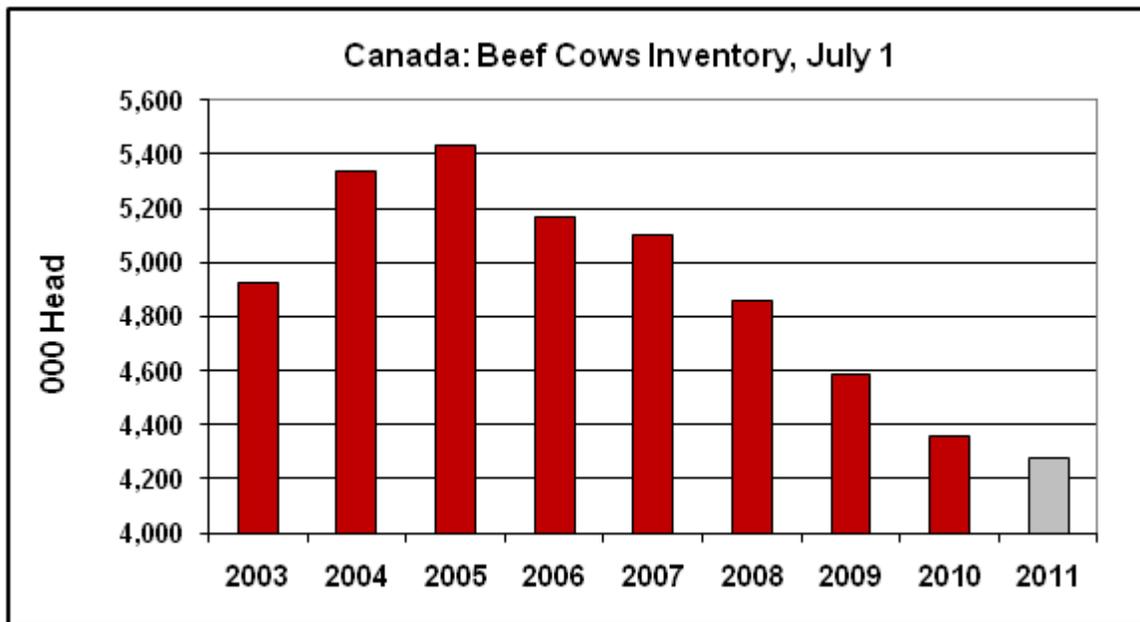
Animal Numbers, Cattle
Meat, Beef and Veal

Production:

Cattle Production

The Statistics Canada mid-year report showed another significant decline in cattle inventories. The Canadian herd on July 1, 2010 was slightly above 14 million head, down 4.9 percent from the same date in 2009, and down 17.1 percent from its peak in 2005 when it totaled 16.9 million.

Reflecting decisions made by producers in 2009 when future prospects looked quite grim, the number of calves born during the first six months of 2010 was down 10.2 percent compared with the same period in 2009. Similarly, the number of beef cows declined further during the first half of 2010 by 5.1 percent compared with the first half of 2009, and farmers reported that the number of replacement heifers also declined by 2.3 percent. The herd of dairy cows remained almost flat throughout the period at 0.98 million head.



Source: Statistics Canada / 2011 Post forecast

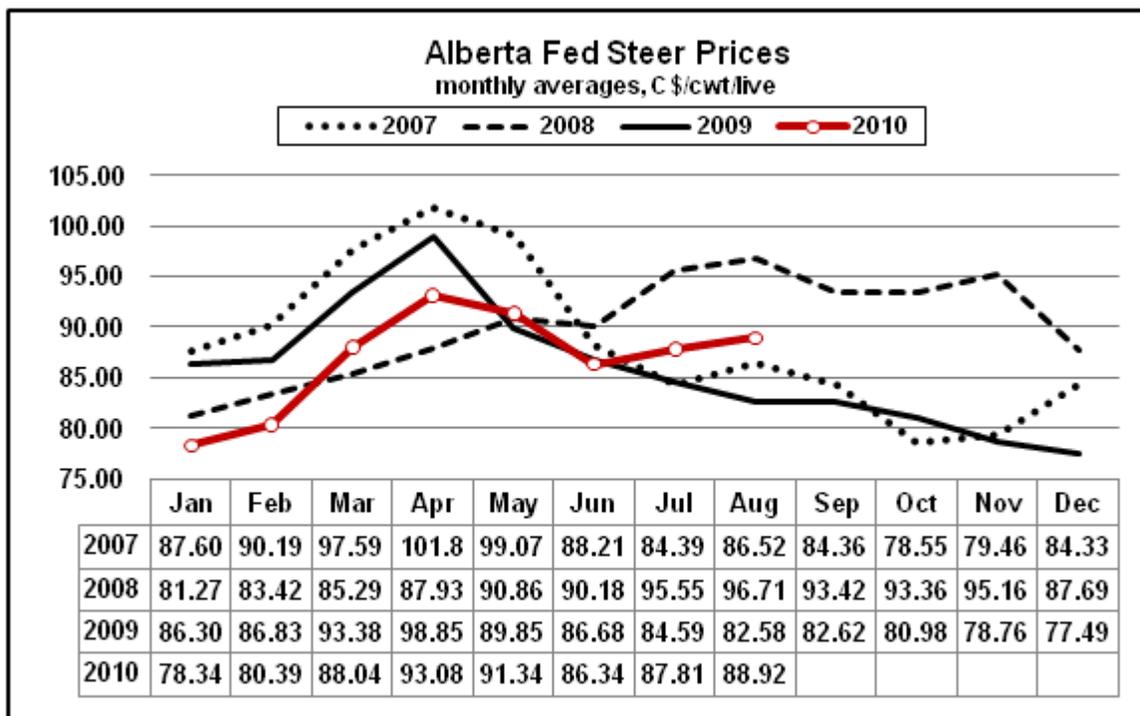
Given the recent trend, Post estimates that the year-end cattle inventories for 2010 will be lower by 725 thousand head compared to the year-end inventories of 2009 for a total of 12.29 million head. Going into 2011, with fewer beef cows and lower heifer retention, and with expected high feed prices Post

forecasts a further decline in cattle inventories: an annual decline of 2 percent in the calf crop, and an overall annual decline in the cattle herd by an additional 810 thousand head with the result that the 2011 year-end inventory is forecast at 11.48 million head.

Cattle Prices

Because of the low supply and a steady or increasing demand, cattle prices are expected to remain strong in 2011. The impact of higher prices, however, will only be seen in 2012 production numbers, which would reflect the possible decision of farmers to start rebuilding their herds.

The second half of 2010 has started to show consistently higher fed steer prices compared to the same period in 2009. Preliminary reports indicate that some of the August contracts showed prices to be in the low \$90s. The expected tight market is likely to maintain an upward pressure on prices going into 2011.



Source: Statistics Canada



Source: Statistics Canada

Consumption:

Meat Production and Consumption

The July 1, 2010 Statistics Canada data showed that during the first six months of 2010 the number of cattle sent to slaughter was 6.5 percent higher than during the same period in 2009. With exports of live cattle expected to remain within a range similar to the one observed in 2009, Post estimates the 2010 annual slaughter to be 3.82 million head, or 3.1 percent higher than in 2009. Increased cattle prices, especially cull cow prices, increased demand for meat and stronger export opportunities for beef and veal contributed to increased cattle slaughter. These trends are expected to continue in 2011, maintaining pressure to send animals to slaughter. However, the 2011 herd size will be lower yet than in 2010. Therefore Post forecasts 2011 slaughter volumes to actually decline by only 0.8 percent compared to 2010, to 3.79 million head.

Paralleling the evolution of slaughter statistics, Post estimates the annual beef and veal production to increase in 2010 to 1.285 million metric tons (MMT) or by 2.4 percent compared to 2009 and to decline in 2011 by 0.8 percent compared to 2010, to 1.785 MMT.

Beef and veal consumption in Canada, albeit lower again in 2010, appears to be stabilizing after a more pronounced decline due largely to reduced demand during the recession. Post estimates a per capita beef and veal consumption of 29.5 kilograms carcass weight equivalent for 2010. Despite an expected increase in domestic demand for 2011, tight supplies will basically translate into increased competition for meat between the domestic and the export markets. Post forecasts that domestic beef and veal consumption will actually decline slightly in 2011, down to 29.2 kilograms on a per capita basis,

meaning less meat available for Canadian consumers who will likely have to pay a little bit more for their beef cuts.

Canadian Per Capita Consumption Beef & Veal	
kg/person, CWT	
Year	kg/person
2004	31.98
2005	31.35
2006	30.92
2007	31.70
2008	30.36
2009	29.65
2010*	29.50
2011**	29.20

Source: Statistics Canada, Post *estimate **forecast

Trade:

Cattle Trade

After a significant decline in 2009, cattle exports have stabilized in 2010 and even shown signs of recovery. Post estimates 2010 cattle exports at 1.1 million head, which is 3.1 percent higher than 2009 numbers. Reduced inventories in Unites States and the need to place feeder cattle in feedlots have largely contributed to this trend, which is likely to continue into 2011, and to outweigh the negative impact of a stronger Canadian dollar. As such, Post forecasts an upwards trend in Canadian cattle export, up by 4.5 percent in 2011 compared to 2010, to a total of 1.15 million head. Canadian cattle imports are estimated to be 50,000 head for 2010 and forecasted at 55,000 for 2011.

CANADA: Cattle Exports to United States

Quantity in 1,000 head				January-June		%change
	2007	2008	2009	2009	2010	- 10/09 -
Feeders	123	186	75	57	35	-37.6%
Slaughter	849	896	763	381	469	23.3%
Other	455	214	152	157	111	-29.1%
Total of above	1,428	1,295	990	595	616	3.6%

Source: Global Trade Atlas / Dairy and breeding cattle excluded.

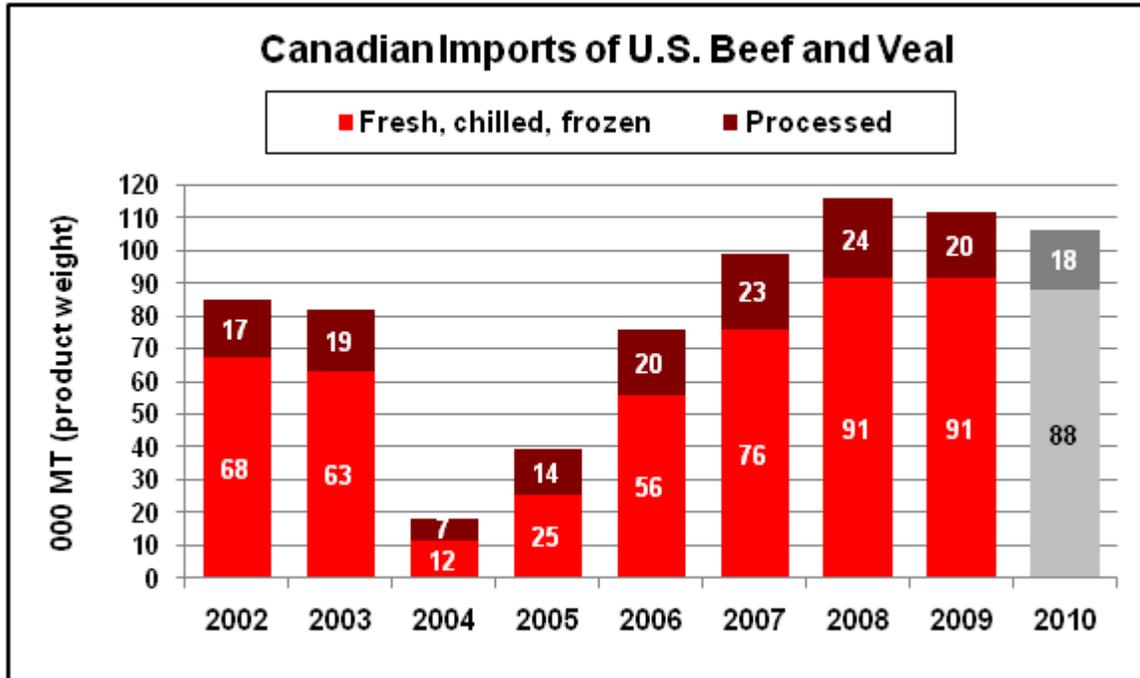
Beef and Veal Imports

Recent statistics show a decline in beef and veal imports of 11.2 percent during the first six months of 2010 compared to the same period in 2009. Post estimates this downward trend to continue for the remainder of the year, placing the total volume of annual imports at 235 thousand metric tons (TMT), or 4.9 percent less than in 2009. Increased slaughter in Canada which translated into a larger than previously expected meat production and therefore more meat available domestically was the main cause for these reduced import volumes. With production numbers expected to decline in 2011 and a strong Canadian dollar, Post forecasts increased beef and veal imports for the next year, up 4.3 percent compared to 2010, at 245 TMT.

CANADA: Total Beef Imports

<i>Quantity in metric tons, CWE*</i>				January-June		%change
	2007	2008	2009	2009	2010	- 10/09 -
World	240,919	230,194	247,031	135,563	120,445	-11.2%
United States	147,042	171,411	163,798	78,225	75,249	-3.8%
New Zealand	35,788	30,866	42,146	30,121	18,966	-37.0%
Uruguay	31,935	6,832	16,803	15,866	15,549	-2.0%
Australia	16,349	13,173	16,955	8,726	6,308	-27.7%
Brazil	7,964	5,764	5,659	2,090	3,631	73.7%
All other	1,841	2,148	1,670	535	742	38.7%
Import Market Shares						
United States	61%	74%	66%	58%	62%	
New Zealand	15%	13%	17%	22%	16%	
Uruguay	13%	3%	7%	12%	13%	
Australia	7%	6%	7%	6%	5%	
Brazil	3%	3%	2%	2%	3%	

Source: Global Trade Atlas / *Conversion to carcass weight equivalent at 1.4 for fresh, chilled and frozen meat, and at 1.79 for salted and processed meat.



Source: Global Trade Atlas / 2010: Post estimate

Beef and Veal Exports

Tight supplies in Unites States coupled with a recovery and strong demand on the Asian markets are the main factors indicating that Canadian beef and veal exports are going to be up in 2010 compared to 2009, outweighing the negative impact of a strong Canadian dollar. Statistics for the first six months of the year show exports up 18.3 percent compared to the same period in 2009 and Post estimates that the annual total will be up 9.1 percent, at 525 TMT.

These trends are likely to continue into 2011 and, in addition, the Canadian Government is working hard to effectively open the Chinese market for beef exporters, with a veterinary agreement in negotiation. However, 2011 will see lower meat production volumes in Canada and possibly an even stronger dollar compared to 2010. Despite these negative factors, Post expects that improved market conditions in terms of demand and prices will pull exports volumes up and therefore forecasts an increase in beef and veal exports by 1 percent in 2011 compared to 2010, for a total of 530 TMT.

CANADA: Total Beef Exports

Quantity in metric tons, CWE*				January-June		%change
	2007	2008	2009	2009	2010	- 10/09 -
World	458,624	494,899	481,266	231,823	274,222	18.3%
United States	381,694	403,042	390,068	192,988	220,384	14.2%
Mexico	47,361	48,489	48,063	21,239	29,541	39.1%
Hong Kong	10,975	10,049	12,665	5,444	10,767	97.8%
Japan	4,609	6,905	11,314	2,527	5,225	106.8%
Taiwan	569	1,907	3,926	1,763	2,266	28.5%
Vietnam	285	770	2,383	1,496	1,164	-22.2%
Philippines	367	8,364	2,251	1,518	478	-68.5%
Macau	8,208	7,372	2,108	2,002	35	-98.3%
Indonesia	210	399	2,080	172	310	80.2%
Suriname	1,109	1,472	1,225	629	725	15.3%
Cuba	117	1,494	558	284	990	248.6%
All other	3,120	4,636	4,625	1,761	2,337	32.7%
Export Market Shares						
United States	83%	81%	81%	83%	80%	
Mexico	10%	10%	10%	9%	11%	
Hong Kong	2%	2%	3%	2%	4%	
Japan	1%	1%	2%	1%	2%	
Taiwan	0%	0%	1%	1%	1%	

Source: Global Trade Atlas / *Conversion to carcass weight equivalent at 1.4.

Policy:

Recent Support Program Announcements

Under **AgriFlexibility** (a 5-year, C\$500 million fund):

An investment of up to C\$3 million to support the beef industry by developing new marketing opportunities to help farmers and food processors boost their bottom line. This investment is in addition to the Government of British Columbia’s (BC) C\$2 million investment that will fund projects recommended by BC’s Ranching Task Force.

http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2010&page=n100824

Canadian slaughterhouses can now apply to the Abattoir Competitiveness Program and the Slaughter Waste Innovation Program. The Abattoir Competitiveness Program will make C\$25 million available to help Canadian cattle slaughterhouses maintain critical slaughter capacity in Canada for over-thirty-month-old (OTM) cattle while the industry undertakes efforts to become more innovative and competitive when dealing with specified risk materials (SRM). The Slaughter Waste Innovation Program will make C\$40 million available to help drive research, development, and adoption of innovative technologies or processes to reduce handling costs or return profits from the use or disposal of SRM.

http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2010&page=n100705a

Under the **Slaughter Improvement Program** (a C\$60 million fund):

An investment of up to C\$2.09 million to help Ryding-Regency Meat Packers to improve its operations and capture new markets for Canadian farmers. Ryding-Regency is the second largest federally-inspected abattoir in Ontario and processes beef, veal and lamb. The company exports high-quality products to communities across Canada and the northeastern United States.

(http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2010&page=n100813)

A C\$1.5 million investment in Holly Park Meat Packers, which will help increase their slaughter capacity, cut costs and improve operations making the industry more profitable and competitive. Holly Park Meat Packers is one of Ontario's largest provincially inspected meat processing facilities and employs 100 people in its Cookstown and Caledon locations.

(http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2010&page=n100408)

Under the Advanced Payments Program:

Some cattle and hog producers facing hard financial times now have extra time to repay cash advances under the Advance Payment Program (APP) due to an announced stay on the repayment of livestock advances. Producers who took an advance in 2008-09 face the prospect of repaying large cash advances this fall, creating significant cash-flow pressures. A Stay of Default allows livestock producers to spread their repayments out over a longer period of time and avoid default. Cattle producers will have until March 31, 2012 to repay amounts owed, with regular repayments to begin eight months from the start of the Stay.

(http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2010&page=n100806)

Under AgriMarketing:

Investments totaling up to C\$3.3 million in support of helping farmers and agri-food exporters create new trade opportunities by showcasing livestock and Canadian premium products at international trade fairs and on trade missions.

(http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2010&page=n100804)

Under AgriRecovery:

Livestock producers in Alberta and Saskatchewan facing two years of drought will receive funding from federal and provincial governments to buy feed while damaged pastures recover. Under the 2010 Pasture Recovery Initiative, livestock producers living in the eligible counties and municipal districts in Central and Northern Alberta and West Central and Northwest Saskatchewan will receive pasture assistance for breeding cattle, as well as assistance for other types of breeding livestock, totaling up to C\$114 million subject to size of the eligible livestock. It is estimated that there are more than 2.2 million breeding animals in the affected areas.

(http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2010&page=n100531a)

Under **AgriInnovations** (a 5-year, C\$158 million fund):

The Canadian Cattlemen's Association (CCA) will receive more than C\$6 million to lead a research cluster of industry experts, scientists and universities. The Beef Cluster will pull together the scientific expertise for research that will help Canada's beef and cattle industry address challenges the sector has faced in recent years. Research will focus on key priorities the sector has identified: reducing production costs, increasing feed efficiency and decreasing the impact of animal health issues. CCA's contribution is nearly C\$1.2 million. Provincial government partners will also contribute nearly C\$464,000.

http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2010&page=n100323)

Other program announcements:

The governments of Canada and Alberta are providing more than C\$2 million to the Canadian Cattle Identification Agency (CCIA) to help Alberta's beef producers with age-verification and traceability initiatives. This funding will ensure the CCIA's Mobile Field Representatives are available to support producers across the province for the next two years.

http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2010&page=n100804a)

Additional Markets Open To Canadian Cattle and Beef

Colombia: With the implementation of the free trade agreement with Columbia, the government highlighted that Canadian cattle can be exported to Colombia after almost 10 years of trade restrictions. This announcement followed Colombia's recent decision to reopen its market to Canadian beef. Canadian exporters are now eligible to export to Colombia all cattle born after August 1, 2007. Colombia is the first country in South America to reopen its market to Canadian cattle since 2003. According to the industry, the Colombian market for Canadian cattle is estimated to be worth more than C\$2 million a year, while beef exports are estimated to be worth about C\$6 million.

China: In June 2010 Canada announced a breakthrough agreement with China which provides the foundation for a staged approach to full market access for Canadian beef and beef products. When implemented, Canada stands to become the first country to resume trade in beef with China following a case of Bovine Spongiform Encephalopathy (BSE) back in 2003. Following this initial agreement, China agreed to take the regulatory step to formally lift the ban on Canadian boneless beef under thirty months (UTM) and tallow for industrial use, effective July 3, 2010. According to industry estimates, the Chinese market for Canadian beef and tallow is expected to be worth C\$110 million once full market access is achieved. At present the two governments are working towards finalizing the necessary veterinary and food safety procedures to be put in place to actually allow products from Canada into the Chinese market.

Panama: Also in June 2010 the Canadian government announced the re-opening of Panama's market to Canadian breeding cattle and expanding market access to bovine genetics. Canada and Panama signed a free trade agreement in May 2009. Once implemented, the agreement is expected to open doors to

Canadian farmers and exporters with improved market access, bringing benefits to a wide range of sectors, including livestock.

Production, Supply and Demand Data Statistics:

CANADA Animal Numbers, Cattle	2009		2010			2011
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010			Market Year Begin: Jan 2011
	USDA Official Data	New Post Data	USDA Official Data	Old Post Data	New Post Data	New Post Data
Total Cattle Beg. Stocks	13,180	13,180	13,015	13,015	13,013	12,288
Dairy Cows Beg. Stocks	979	979	981	981	981	980
Beef Cows Beg. Stocks	4,650	4,650	4,471	4,471	4,471	4,325
Production (Calf Crop)	5,110	5,081	4,980	4,980	4,645	4,550
Total Imports	54	54	50	50	50	55
Total Supply	18,344	18,315	18,045	18,045	17,708	16,893
Total Exports	1,067	1,067	1,150	1,150	1,100	1,150
Cow Slaughter	620	643	570	570	620	510
Calf Slaughter	285	299	300	300	250	200
Other Slaughter	2,800	2,763	2,775	2,750	2,950	3,080
Total Slaughter	3,705	3,705	3,645	3,620	3,820	3,790
Loss	557	530	550	550	500	475
Ending Inventories	13,015	13,013	12,700	12,725	12,288	11,478
Total Distribution	18,344	18,315	18,045	18,045	17,708	16,893

All data in 1,000 head

CANADA Meat, Beef and Veal	2009		2010			2011
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010			Market Year Begin: Jan 2011
	USDA Official Data	New Post Data	USDA Official Data	Old Post Data	New Post Data	New Post Data
Slaughter (Reference)	3,705	3,705	3,645	3,620	3,820	3,790
Beginning Stocks	34	34	36	36	37	35
Production	1,245	1,255	1,225	1,215	1,285	1,275
Total Imports	247	247	265	290	235	245
Total Supply	1,526	1,536	1,526	1,541	1,557	1,555
Total Exports	480	481	490	490	525	530
Human Dom. Consumption	1,010	1,018	1,000	1,015	997	995
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	1,010	1,018	1,000	1,015	997	995
Ending Stocks	36	37	36	36	35	30
Total Distribution	1,526	1,536	1,526	1,541	1,557	1,555

All data in 1,000 metric tons, carcass weight equivalent, except slaughter in 1,000 head

Commodities:

Animal Numbers, Swine
 Meat, Swine

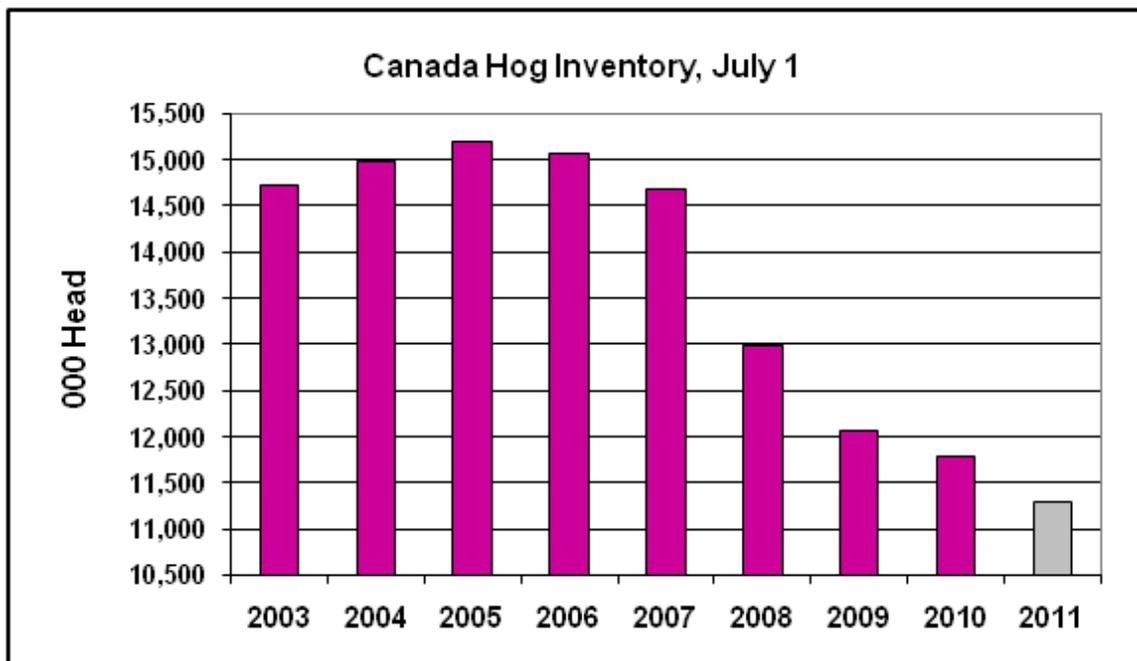
Production:

Hog Production

Canada's hog herd continues to shrink, but at a slower pace. The July 1, 2010 data released by Statistics Canada reveal that hog inventories dropped to 11.78 million head or by 2.4 percent compared to the same date in 2009. However, the rate of decrease is much lower compared to the 7 percent and 11.6 percent decreases recorded in the previous two years.

The declining trend has also continued with respect to the sow herd, practically eliminating any chance of recovery for 2010 or 2011. The July 1 data show sows at 1.285 million head, 4.8 percent lower than on the same date in 2009. This decline, however, is slowing down in the second half of the year.

The Canadian Pork Council has recently indicated that a number of farmers who had previously placed successful bids in the federal Hog Farm Transition Program have eventually decided to retain their hogs and not accept the buyouts. There may be more producers who do the same, given that the final deadline for taking or rejecting the buyouts is March 31, 2011. To date, over 800,000 hogs have been removed due to this program, including 121,000 sows. Despite this development, the hog sector continues to remain in difficulty, with no comeback in sight for 2011. Sources have confirmed that financial institutions continue to refuse financing expansions of the sector.



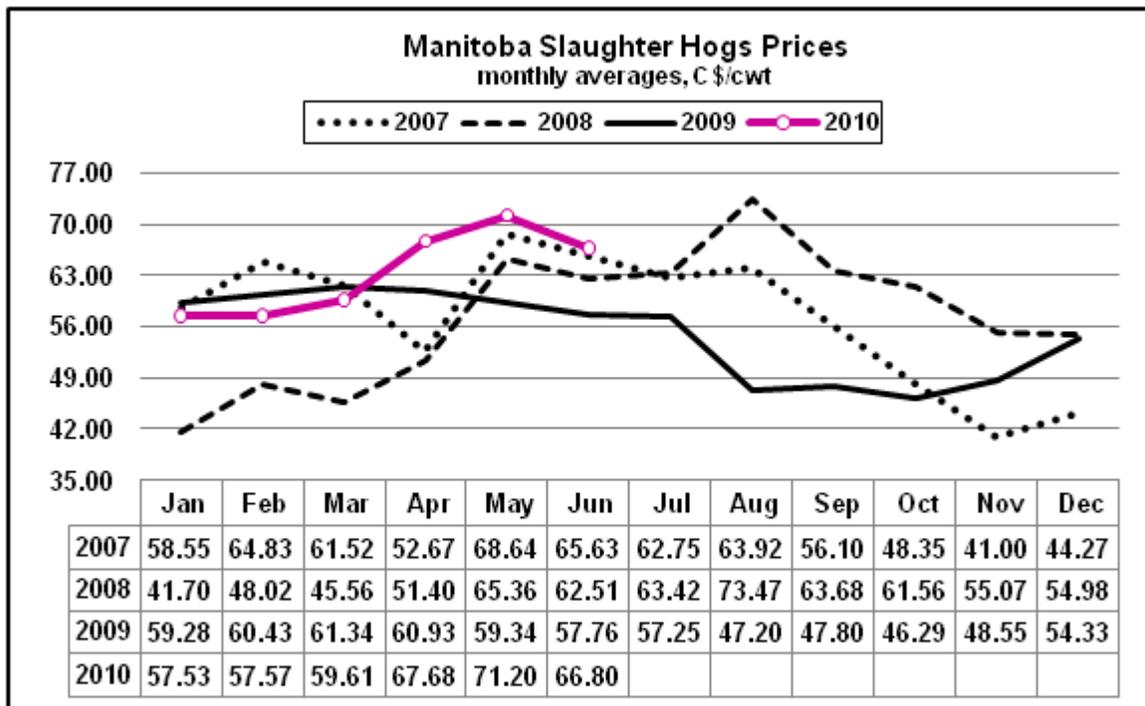
Source: Statistics Canada / 2011 Post forecast

Post continues to estimate an annual pig production for 2010 at 28 million head, down 4.4 percent compared to 2009. Going into 2011, Post forecasts total hog inventories on January 1 at 11.36 million head, down 4 percent compared to 2010, and a sow herd of 1.28 million head, down only 2.3 percent compared to 2010. Production for 2011 is forecast at 27.4 million head, down 2.1 percent compared to 2010.

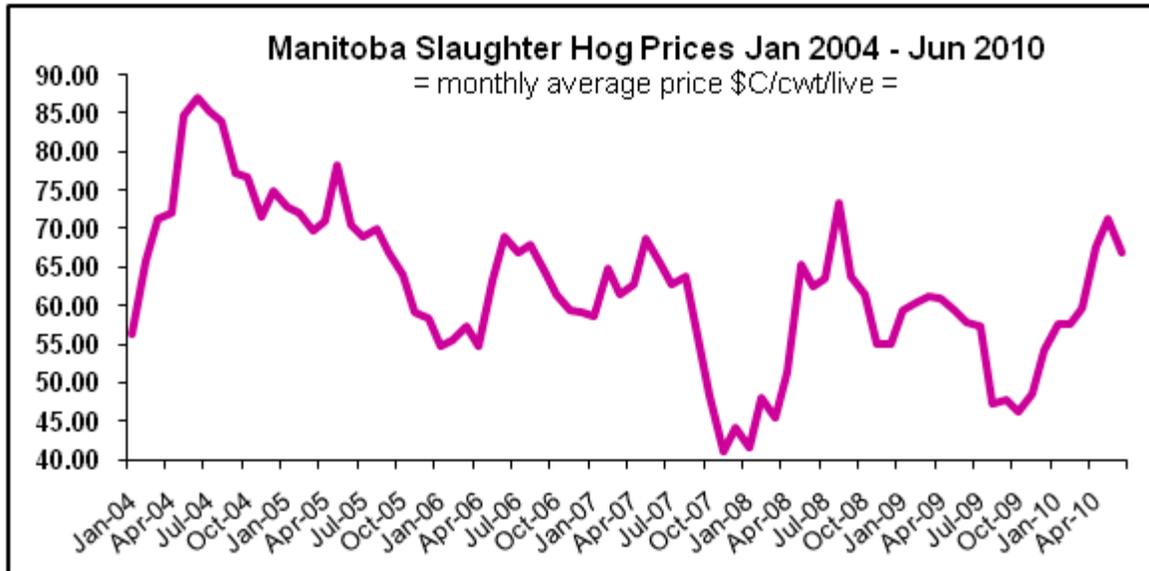
Hog Prices

In 2010 there has seen a comeback in terms of hog prices, with some reports placing average slaughter hog prices in some of the August weeks close to 50 percent higher than similar periods in 2009.

Manitoba Pork Council has recently indicated that these returns are above the break-even point for most producers, however much higher returns would be required if farmers were to be able to pay down the accumulated debt and consider any expansion. Future contracts for the winter months place prices below the levels recorded during the summer, but tight market supplies are likely to maintain prices at relatively higher levels throughout most of 2011.



Source: Statistics Canada



Source: Statistics Canada

Consumption:

Meat Production and Consumption

A lower pig crop in 2010 has resulted in lower slaughter numbers, with recent data from Agriculture and Agri-Food Canada (AAFC) indicating a drop of 2.4 percent as of the end of August 2010 compared with the same period in 2009. However, continued lower hog exports have translated into proportionally more hogs being slaughtered domestically. Typically about 67-68 percent of an annual pig crop would be slaughtered in Canada, but this share has gone up to 76 percent since 2009. Based on the data through August, Post estimates that producers would have sent to slaughter 21.25 million hogs by the end of 2010, down 2.6 percent compared to 2009, and forecasts a slaughter of 20.8 million hogs in 2011, down 2.1 percent compared to 2010.

Mirroring reduced slaughter in Canada, pork production is estimated at 1.75 million metric tons (MMT) for 2010, down 2.2 percent from the 2009 level, and forecast at 1.725 MMT for 2011, or a further decline of 1.4 percent.

Per capita pork consumption in Canada seems to be stable at a level above 23 kilograms carcass weight equivalent. After a slight decline in 2009, Post estimates per capita consumption for 2010 at 23.6 kilograms, similar to the level registered in 2008. A lower meat supply in 2011 coupled with the competition from the export market will leave the domestic market with less meat available, resulting in a forecasted per capita consumption of 23.2 kilograms, just below the 2010 level.

Canadian Per Capita Pork Consumption

kg/person, CWT

Year	kg/person
2004	26.84
2005	23.03
2006	23.44
2007	25.08
2008	23.68
2009	23.36
2010*	23.60
2011**	23.20

Source: Statistics Canada, Post *estimate **forecast

Trade:

Hog Exports

The decline in hog exports that began in 2009 continued into 2010. Based on data from the first six months of the year Post estimates exports will total 5.8 million head by the end of the year, down 9 percent from 2009. The strong Canadian dollar and some uncertainty surrounding requirements under the Country of Origin Labeling (COOL) regulations in United States are the reported factors associated with the decline. However, looking into 2011, the market is likely to remain very tight, with prices staying at high levels, given lower inventories in United States and strong demand for both feeder hogs and pork. As such, Post forecasts an increase in 2011 Canadian hog exports by 2.6 percent compared to 2010, up to 5.95 million head.

CANADA: Hog Exports to United States

Quantity in 1,000 head				January-June		%change
	2007	2008	2009	2009	2010	- 10/09 -
Feeders	6,721	7,036	5,221	2,797	2,337	-16.5%
Slaughter	3,282	2,306	1,141	576	516	-10.4%
Total of above	10,002	9,342	6,363	3,374	2,853	-15.4%

Source: Global Trade Atlas / Breeding hogs excluded

Pork Imports

A lower domestic pork production in 2010 coupled with a resumed consumer demand after the recession period is translating into increased pork import requirements. Statistics for the first six month of 2010 have pork imports up by 10 percent compared to the same period in 2009. Post estimates that imports of pork will total 200 TMT by the end of the year, up 11.1 percent from 2009. Reduced meat production and increased demand from export markets is expected to require Canada to increase its imports further in 2011. Post forecasts pork imports at 230 TMT, up 15 percent from the 2010 level.

CANADA: Total Pork Imports

	<i>Quantity in metric tons, CWE*</i>			January-June		%change
	2007	2008	2009	2009	2010	- 10/09 -
World	170,984	193,876	180,264	81,821	90,020	10.0%
United States	164,483	186,279	173,900	79,586	88,473	11.2%
Chile	2,197	2,510	3,039	1,817	1,070	-41.1%
Denmark	1,272	3,008	1,347	1	22	2100.0%
All other	3,032	2,079	1,978	417	455	9.1%
Import Market Shares						
United States	96%	96%	96%	97%	98%	
Chile	1%	1%	2%	2%	1%	
Denmark	1%	2%	1%	0%	0%	

Source: Global Trade Atlas / *Conversion to carcass weight equivalent at 1.3

Pork Exports

Statistics for the first six month of 2010 show pork exports up by 7.3 percent to 576 TMT compared with the same period in 2009. Tight supplies and improved demand in export markets, particularly in some of the Asian markets and Russia, have outweighed the negative impact of a stronger Canadian dollar. Post estimates 2010 pork exports will be 1.165 million metric tons (MMT), up 3.7 percent compared to 2009.

As these trends are likely to continue into 2011 and further increase the demand for Canadian pork, this will translate into increased exports despite lower meat production volumes. As such, Post forecasts exports in 2011 will increase by an additional 0.9 percent, to 1.175 MMT.

CANADA: Total Pork Exports

	<i>Quantity in metric tons, CWE*</i>			January-June		%change
	2007	2008	2009	2009	2010	- 10/09 -
World	1,032,787	1,128,621	1,123,043	537,367	576,469	7.3%
United States	432,879	362,890	382,969	180,866	184,857	2.2%
Japan	250,968	262,298	259,273	129,142	146,639	13.5%
Korea South	66,724	64,887	67,937	37,051	28,825	-22.2%
Russia	86,211	142,790	63,281	33,798	57,147	69.1%
Australia	52,434	45,959	61,651	32,935	27,201	-17.4%
Hong Kong	8,799	58,837	46,636	18,923	21,918	15.8%
Philippines	11,316	32,358	45,312	19,119	23,343	22.1%
Taiwan	6,307	17,138	34,639	10,956	10,335	-5.7%
Mexico	37,226	29,549	29,097	11,074	21,334	92.6%
China	22,849	23,142	22,687	12,426	9,188	-26.1%

South Africa	10,732	6,376	17,045	10,944	4,124	-62.3%
New Zealand	11,286	9,979	12,832	7,022	4,719	-32.8%
Ukraine	0	5,708	11,138	2,057	2,452	19.2%
All other	35,056	66,710	68,546	31,054	34,387	10.7%
Export Market Shares						
United States	42%	32%	34%	34%	32%	
Japan	24%	23%	23%	24%	25%	
Korea South	6%	6%	6%	7%	5%	
Russia	8%	13%	6%	6%	10%	
Australia	5%	4%	5%	6%	5%	
Hong Kong	1%	5%	4%	4%	4%	
Philippines	1%	3%	4%	4%	4%	

Source: Global Trade Atlas / *Conversion to carcass weight equivalent at 1.3.

Policy:

The Canadian Hog Buyout Program Held Its Last Tender

The Hog Farm Transition Program (HFTP) was a \$75 million initiative of the federal government designed to help eligible producers by providing payments to those who agreed to set aside all hog production in their enterprise for a minimum of three years. The program was opened to all hog producers that were in the business of hog production as of April 1, 2009. The HFTP provided funding through a process of four tenders, the last of which took place on March 10, 2010. The aim of the program is to reduce the herd by the equivalent of 250,000 sows.

As indicated earlier in this report, according to the Canadian Pork Council some of the successful bidders had in the meantime decided not to accept the buyouts. As per the program's regulations, the funds that thus became available are to be used to honor bids next in line from the results of the fourth tender. The table below summarizes the results of the program up until mid-July.

Canada: Hog Farm Transition Program						
Final Cumulative Successful Bid Summary (July 12, 2010)						
Province	Bids	Total Bid Value C\$ mil.	Sows	Up to 30 kgs	Over 30 kgs	Total
British Columbia	13	\$4.8	7,945	24,284	30,397	62,626
Alberta	60	\$9.9	11,828	29,676	94,967	136,471
Saskatchewan	15	\$7.8	16,748	28,002	24,970	69,720
Manitoba	72	\$15.3	35,870	44,732	56,234	136,836

Ontario	202	\$26.3	38,324	98,579	166,318	303,221
Quebec	68	\$6.2	8,567	21,238	50,500	80,305
Atlantic Region	16	\$1.5	1,714	7,111	15,425	24,250
TOTAL	446	\$71.8	120,996	253,622	438,811	813,429

All swine numbers in head.

Source: Agriculture and Agri-Food Canada.

WTO Dispute on Certain Country of Origin Labeling (COOL) Requirements

At its meeting on November 19, 2009, the Dispute Settlement Body (DSB) established a single panel in this World Trade Organization (WTO) dispute, pursuant to the requests of Canada and Mexico. The two had previously filed challenges at the WTO regarding certain aspects of the U.S. COOL legislation. On April 30, 2010, the same two countries requested the WTO Director-General to determine the composition of the panel, which he did through a decision issued on May 10. The three-member panel is composed of the following: Mr. Christian Häberli (president), Mr. Manzoor Ahmad and Mr. João Magalhães.

As per the regular WTO dispute process, Canada’s first written submission in this case was circulated on June 23, followed by United States' first written submission on August 4. The first substantive meeting among the parties involved is taking place in Geneva during the month of September 2010.

Later in the year a second round of written submissions will occur, followed by a second substantive meeting, scheduled at present for December 2010. Provided that all deadlines are met and the process pursues its regular course, the WTO panel will issue its final Report on this case around the middle of 2011.

Recent Support Program Announcements

Under the Advanced Payments Program:

Some cattle and hog producers facing hard financial times now have extra time to repay cash advances under the Advance Payment Program (APP) due to an announced stay on the repayment of livestock advances. Producers who took an advance in 2008-09 face the prospect of repaying large cash advances this fall, creating significant cash-flow pressures. A Stay of Default allows livestock producers to spread their repayments out over a longer period of time and avoid default. Hog producers will have until March 31, 2013 to repay amounts owed, with regular repayments to begin eighteen months from the start of the stay.

(http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2010&page=n100806)

Under Canada's Economic Action Plan:

- An investment of C\$9.5 million for the Swine Cluster to bring together industry, government and scientists to address the research and development priorities of pork producers, including food safety, meat quality and feed input issues.

- An investment of C\$3.3 million for the Canadian Pork Council to strengthen the national swine traceability system, which is designed to track the movement of hogs across the country.

An investment of C\$1.4 million for the Canadian Swine Exporters Association to promote pork in international markets through market development, brand building and industry-to-industry trade promotion.

- An investment of C\$839,480 for the Canadian Centre for Swine Improvement to develop methods to predict marbling in hogs through better technology, genetics and feed, and to promote marbling as a major quality trait for domestic and international markets.

(http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2010&page=n100514a)

Under the **Slaughter Improvement Program** (a C\$60 million fund):

An investment of nearly C\$4.5 million to help Great Lakes Specialty Meats of Canada Inc. in Ontario improve and expand its facility allowing the company to pursue new niche markets. This funding will be used by Great Lakes Specialty Meats of Canada Inc. to improve plant capabilities to produce high quality value added products using modern and efficient equipment and technology such as the leading traceability systems for improved food safety.

(http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2010&page=n100501a)

A C\$310,000 investment for Winkler Meats Ltd. in Manitoba. This federal investment will be used to improve its operations through equipment upgrades and the expansion of its plant facilities. The installation of two new smokehouses and the upgrade of its production line equipment will allow Winkler Meats to continue to focus on opening up new markets for their high-quality products.

(http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2010&page=n100430b)

An investment of C\$1.6 million to help Cambridge Meat Packers in Ontario. This loan will allow the company to construct a water-treatment facility and finance the purchase and installation of new equipment to make sure that pork producers can get their high-quality product to consumers. Cambridge Meat Packers' 35,000-square-foot plant was recently renovated into a state-of-the-art facility, meeting federal inspection requirements.

(http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2010&page=n100423)

An investment of C\$70,000 which will help Antigonish Abattoir in Nova Scotia upgrade their plant equipment and data tracking software and improve their traceability system.

(http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2010&page=n100416b)

An investment of C\$567,500 in Country Meat and Sausage in Manitoba. This investment will help the family-run business reduce costs, purchase equipment and upgrade its facilities to meet federal requirements.

(http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2010&page=n100416a)

Under the **Canadian Agricultural Adaptation Program**:

The Ontario Pork Industry Council (OPIC) will receive an investment of C\$175,000 to improve and address any potential gaps in the Ontario pork industry's emergency response system. Working with

Ontario Pork and the sector, OPIC will develop the disease emergency response plan for the Ontario pork industry. Project activities include clarifying roles and responsibilities, developing communications networks, and assessing the role of traceability in emergency preparedness.

(http://www.agr.gc.ca/cb/index_e.php?s1=n&s2=2010&page=n100413)

Production, Supply and Demand Data Statistics:

CANADA Animal Numbers, Swine	2009		2010			2011
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010			Market Year Begin: Jan 2011
	USDA Official Data	New Post Data	USDA Official Data	Old Post Data	New Post Data	New Post Data
Total Beginning Stocks	12,180	12,180	11,630	11,630	11,835	11,357
Sow Beginning Stocks	1,371	1,371	1,313	1,313	1,310	1,280
Production (Pig Crop)	29,151	29,301	27,900	28,000	28,000	27,400
Total Imports	3	3	2	2	2	2
Total Supply	41,334	41,484	39,532	39,632	39,837	38,759
Total Exports	6,376	6,376	6,000	6,000	5,800	5,950
Total Slaughter	21,848	21,810	21,100	21,200	21,250	20,800
Loss	1,480	1,463	1,500	1,500	1,430	1,325
Ending Inventories	11,630	11,835	10,932	10,932	11,357	10,684
Total Distribution	41,334	41,484	39,532	39,632	39,837	38,759

All data in 1,000 head

CANADA Meat, Swine	2009		2010			2011
	Market Year Begin: Jan 2009		Market Year Begin: Jan 2010			Market Year Begin: Jan 2011
	USDA Official Data	New Post Data	USDA Official Data	Old Post Data	New Post Data	New Post Data
Slaughter (Reference)	21,848	21,810	21,100	21,200	21,250	20,800
Beginning Stocks	60	60	67	67	52	40
Production	1,790	1,789	1,740	1,740	1,750	1,725
Total Imports	180	180	210	210	200	230
Total Supply	2,030	2,029	2,017	2,017	2,002	1,995
Total Exports	1,123	1,123	1,130	1,130	1,165	1,175
Human Dom. Consumption	840	854	845	845	797	790

Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	840	854	845	845	797	790
Ending Stocks	67	52	42	42	40	30
Total Distribution	2,030	2,029	2,017	2,017	2,002	1,995

All data in 1,000 metric tons, carcass weight equivalent, except slaughter in 1,000 head